

REICHHOLD

Reichhold Limited / Reichhold Limitée

AR44

1980 Annual Report

This decade promises many new and exciting opportunities. Reichhold Limited has the strength in its employees, management and overall resources to meet the challenges and continue to grow and prosper.

Rapport Annuel 1980

Nul doute que cette décennie nous réserve un grand nombre d'avenues nouvelles et profitables. Grâce à ses employés, à sa direction et à l'ensemble de ses ressources, Reichhold Limitée aura la force qu'il faut pour relever ce défi, pour continuer à grandir et à prospérer.

Profile of successful growth

Since its modest beginning in 1949, Reichhold's plant in Weston, Ontario, has built upon and expanded its foundation as a leading supplier of resins and chemicals for Canadian industry. Today, Reichhold is a major diversified company operating from more than 70 locations in Canada and the United States, providing plastics, synthetic resins for forest products, insulating systems, farm and garden chemicals, printing inks, chemicals for the oil and gas industry and sales and service for the finest equipment in the graphic arts industry.

In the ten year period ending 1980 gross sales have increased from \$24 million to \$368 million. After tax earnings per share have increased from 32¢ to \$1.51 on a fully diluted basis. Earnings have increased from \$512,000 to \$6,397,000.

Reichhold's greatest asset is its people.

Today, Reichhold employs more than 1,900 men and women, many of whom are shareholders in the Company. And while we are proud that the vast majority of our management and shareholders are Canadian, we know that our success lies in our ability to satisfy our customers, whether they are around the corner or half-way around the world.

Looking back at Reichhold's history, we are reminded of the same qualities that will ensure our successful growth in the future: a deep commitment to responsible management practices, a genuine appreciation of our employees and a never-ending determination to serve our customers better.

We welcome your comments and inquiries about Reichhold Limited, its divisions and subsidiaries.

Our year at a glance

(Thousands of dollars except per share items.)

	1980	1979
Net sales	\$ 367,901	\$ 287,354
Net earnings	6,397	6,378
Basic earnings per common share ...	1.72	2.40
Fully diluted earnings per common share	1.51	1.83
Book value per common share	13.80	13.15

See note at foot of 10 year financial review on page 28

President's message to shareholders



While 1980 was exceptionally challenging in many ways, it was another year of growth and development for Reichhold Limited. For most industries, the year was a difficult one, and this trend had a disappointing effect on the Company. We did, however, make much progress in line with our plan for profitable growth, which should pay off in the future.

Sales in 1980 were \$367,901,000, an increase of 28% over 1979, representing a positive achievement in trying times. Dollar earnings for the year were about the same as 1979. Fully diluted earnings per share were \$1.51, compared with \$1.83 in 1979. One of the main factors in this decline was the full year effect of the issue of 800,000 common shares. Another major contributor was the extraordinarily high interest rates which took a

much larger proportion of corporate profit. Further, it required longer than anticipated to begin to produce satisfactory returns from some of our more recent acquisitions. Most of these are coming along reasonably well now, with encouraging signs of meeting expected goals.

A strong research and development program produced several important new products in our Resin Division, which will be more fully exploited in 1981.

Among these were further developments in insulation foams, and in decorative overlays for furniture and other uses. The Graphic Arts Group and the Canadian Oil and Gas Chemical Group also continued to expand with excellent results. The new automated printing ink plant in Burlington began to operate with high efficiency. Late in the year, a production unit for manufacturing printing plates was brought successfully on stream. Accelerated foreign shipments of our products began to give us important new markets.

A number of steps were taken during the year to improve the Company's performance. We have placed increasing emphasis on improving the return on capital

employed in the business. This approach has been found to be a good indicator of the profitability of each of our divisions. The results of these and other steps will begin to show in the future, and additional moves to improve efficiency are continually being pursued.

Uncertain and constantly changing social, economic and political circumstances require that business be more flexible and better able to anticipate change than ever before.

This is the challenge to management in these turbulent times. I can assure you that Reichhold Limited has the strength in its employees, management and resources to meet this challenge and continue to grow and prosper.

On behalf of the Board of Directors, let me express my appreciation to all those associated with the Company for their support in the past year.

A handwritten signature in dark ink, reading "George L. Hagen".

George L. Hagen
President and
Chief Executive Officer

Rapport du président aux actionnaires

Bien que l'année 1980 ait été particulièrement difficile, et de toutes sortes de manières, pour Reichhold Limitée ce fut une autre année d'essor et de progrès. Pour la plupart des industries, l'année a été cahoteuse, et cette tendance n'a pas manqué d'affecter notre propre Compagnie. Je répète qu'en dépit de cette situation nous avons progressé, de façon appréciable, selon nos plans, vers un objectif qui devrait être profitable.

Nos ventes en 1980 ont atteint le total de \$367,901,000, une augmentation de 28% sur le total de 1979, résultat certes encourageant en ces temps d'épreuves. Nos revenus, l'an dernier, ont été à peu près les mêmes que l'année précédente. Le bénéfice dilué par action a été de \$1.51, en comparaison de \$1.83 en 1979. L'un des facteurs principaux de cette diminution a été l'effet sur l'année entière de l'émission de 800,000 actions ordinaires.

Autre facteur important: les taux d'intérêt extraordinairement élevés qui ont drainé une proportion beaucoup plus grande des profits de la compagnie. En outre, certaines de nos récentes acquisitions ont mis plus de temps que prévu à atteindre le seuil de la

rentabilité. Pour la plupart d'entre elles, les choses vont raisonnablement bien, aujourd'hui, ce qui nous porte à croire qu'elles atteindront leurs objectifs.

Un vigoureux programme de recherche et de développement a conduit à la création de plusieurs nouveaux produits importants dans notre Division de la Résine, qui verra une exploitation accélérée en 1981.

Mentionnons parmi ces produits des mousses isolantes et des appliques décoratives destinées aux meubles et à d'autres usages. Le Groupe des Arts Graphiques ainsi que la Division Chimique Canadienne du Pétrole et du Gaz ont continué à grandir, avec d'excellents résultats. La nouvelle usine automatisée d'encre d'imprimerie de Burlington a commencé ses opérations, qui se sont avérées très efficaces. Vers la fin de l'année, une unité de production pour la fabrication de plaques d'impression a été ajoutée avec succès aux installations.

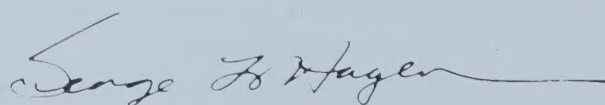
Nous avons pris un certain nombre de mesures, au cours de l'année, en vue d'améliorer le rendement de la Compagnie.

Nous nous sommes attachés plus qu'avant à accroître le rendement du capital investi dans notre

entreprise. Nous avons constaté que c'était là une bonne manière de connaître la rentabilité de chacune de nos divisions. Les résultats de ces mesures, entre autres, se manifesteront dans l'avenir, et nous cherchons sans cesse de nouveaux moyens d'améliorer notre efficacité.

Une conjoncture incertaine et en perpétuelle évolution, dans les domaines social, économique et politique, oblige le monde des affaires, plus que jamais, à se montrer plus souple et plus apte à prévoir les changements. C'est là le défi que nous devons relever en ces temps de perturbation. Grâce à ses employés, à sa direction et à l'ensemble de ses ressources, Reichhold Limitée aura la force qu'il faut pour relever ce défi, pour continuer à grandir et à prospérer.

Au nom du Conseil d'administration, permettez-moi d'exprimer ma gratitude à tout le personnel de la Compagnie pour l'aide que tous et chacun nous ont apportée au cours de l'année dernière.



George L. Hagen
Le président et chef
de la direction

Resins for forest products



Reichhold's Resin Division is the leading supplier of synthetic resins to Canada's forest products industry. Synthetic resins are essential components in the manufacture of plywood, waferboard and particleboard. Reichhold has pioneered the use of novel spray-dried phenol formaldehyde resins which have substantially facilitated the production of waferboard for the construction industry. Urea formaldehyde resin is used in the production of

particleboard, a tough and durable component in the manufacture of home and office furniture. Particleboard can be laminated with various resin impregnated paper overlays made by Reichhold to produce an attractive alternative to more costly natural wood.

Year in review:

1980 saw Reichhold add further strength to its position as Canada's leading supplier of synthetic resins for the

forest products industry.

The Company's second spray dry facility began operations in Thunder Bay, Ontario. The plants at Thunder Bay and North Bay, Ontario, together now have a total capacity of approximately 35 million pounds of powdered resin for use in the manufacture of waferboard and particleboard for customers in Canada and the United States.

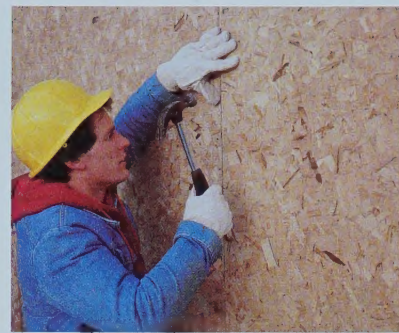
The past year also saw the continued growth in the

use of waferboard as an alternative to plywood in residential construction and the do-it-yourself market. Increased demand for resin impregnated papers resulted in the introduction of a second production line at the Ste. Thérèse, Québec plant. In addition, a new plywood extender plant began operation in Squamish, British Columbia.

To meet the growing demands of its forest products customers, Reichhold's Resin Division acquired the Perkins Adhesive Division of Gulf Agricultural Chemicals Limited at the end of 1980. The Perkins Adhesive Division, which produces adhesives used primarily in the manufacturing of furniture, will continue to have its divisional headquarters located at Dorval, Québec

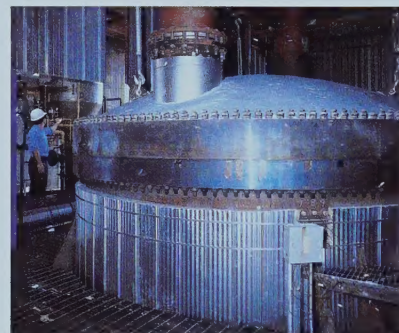
Growth areas for the future:

Looking to the future, Reichhold has focused upon its key areas for opportunity and growth. Demand for waferboard is expected to rise sharply in the years ahead, both in terms of new construction and in the renovation of older homes and buildings. It is a relatively low cost product to produce, and is made from abundant and fast-growing trees such as poplar, which have no other major



commercial value.

Another vital opportunity for resin-based products lies with Reichhold's treated fibre products. Again, the cost pressures felt by furniture manufacturers and their customers increased demand for less costly substitutions. In the case of treated fibre products, paper printed with wood grain or other decorative patterns provides an acceptable alternative to wood veneers. Greater use of these overlay materials will increase demand for particleboard in which Reichhold's resins play a key role. To meet these growing demands and opportunities, Reichhold will continue to expand its marketing activities in Canada and in the northern United States.



Resins for surface coatings



Reichhold's Resin Division is the largest supplier of surface coatings resins in Canada. Alkyd resins form the base of most industrial paints. Their durability makes them ideal for use on farm machinery, outdoor equipment, trucks and home appliances. Vinyl acetate co-polymer emulsions produced by Reichhold are a component in many household paints. Other Reichhold resins are used in printing inks, caulking compounds,

wood stains, sealers, varnishes, aerosol paints and other products for household and commercial application.

Year in review:

1980 saw the unveiling of a new product of strategic importance to the surface coatings industry. Reichhold's DX-600 vinyl acrylic emulsion quickly develops water resistance after application. It is intended for the formulation of interior gloss and semi-gloss

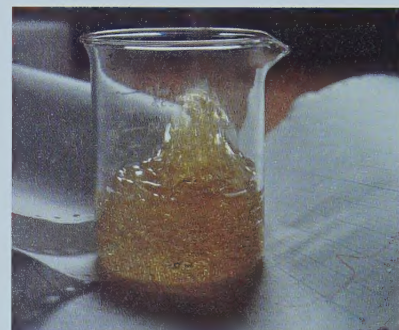
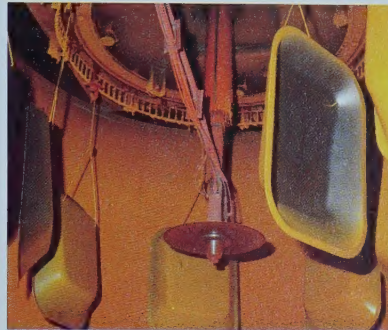
enamels as well as high sheen exterior house paints. After years of research and testing, DX-600 offers the value of a latex emulsion designed to give early water resistance at a lower cost than unmodified acrylic resins. Reichhold's Resin Division continued to deepen its penetration into international markets in 1980. Exports of solvent-based polymers, external varnishes and fast-drying resins for aerosol sprays gained

greater demand in Southeast Asia.

Growth areas for the future:

Broadening of both domestic and international markets will continue to be a priority of Reichhold's Resin Division. Products such as the new vinyl acrylic resin offer strong competitive and cost-saving advantages to customers. These benefits will be vigorously pursued in all of Reichhold's current and potential markets.

Growing concern about ecological and environmental issues offers greater potential for products which eliminate or reduce toxic emissions. Currently, Reichhold's research is concentrating on water-reducible block polymers, new water-resistant emulsions; high solids baking systems and solvent-less resin systems for application to paper, wood and metal.



Resins for plastics



Plastics have a broad and versatile range of household, industrial and recreational uses. Reichhold is one of Canada's leading manufacturers of polyester resins for the plastics industry. Swimming pools, patio furniture and snow and water skis are frequently made from plastics containing polyester resins, as is much of the infrastructure of fiberglass molded canoes, power boats and sail boats. Other well-

known household uses of these resins include custom vanity tops, as well as sinks, whirlpool baths and enclosures for bathtubs.

Commercial applications of polyester resins include car and truck bodies, merchandising booths, subway cars and stadium and restaurant seating. These resins are also used in the manufacture of gasoline storage tanks. Reichhold's phenolic molding compounds are

used in the production of heat resistant items such as appliance handles, electrical switch boxes and automotive coil and distributor caps.

Yet another vital application of Reichhold's plastic resins is in insulation foam and materials. Here, Reichhold's development of its "1+1 phenolic foam" system represents a real technological breakthrough. This material can be used for

insulating cores for doors and unusual shapes such as preformed pipe wrapping. It can also be laminated to wall panels and used to insulate homes, commercial buildings, refrigerators and freezers. Its most unique feature, however, is that it has particular advantages in areas where there is a concern for fire safety.

Reichhold also produces PolyLite® urethane foam resins for application to building roofs. These foam resins have proven ideal for insulating both new and older roofs, especially those with irregular surfaces which cannot be practically insulated with conventional built-up systems. PolyLite® urethane foam resins are also ideal for spray application in the insulation of tanks and storage containers.

To serve its growing markets more efficiently, Reichhold distributes many of its polyester resin products and related materials for the reinforced fiberglass industry through its Intertech Division, which operates from six branches across Canada.

Year in review:

1980 saw the beginning of the commercialization of Reichhold's "1+1 phenolic foam" in several countries. Comprehensive



marketing steps have been taken to realize the full potential of this unique product, with encouraging results in Canada, the United States and overseas.

Resins for plastics

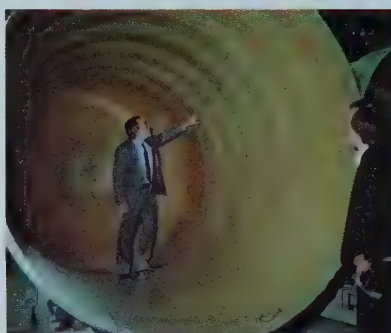
Growth areas for the future:

Reichhold sees significant potential for its various insulating resins in the years ahead. As the world looks for more ways to save energy, products such as Reichhold's "1+1 phenolic foam" will be the industry's leaders.

Increasing concern about fire safety standards also promises a good future for this product.

Renovation and retrofitting of less energy efficient homes and buildings is another key growth area. Here, Polylite[®] urethane foam resins will continue to be in strong demand. Growth in these areas is also expected to benefit Reichhold's Intertech Division, which is strategically positioned to provide customers with the most up-to-date products, equipment and related information in these fields.

Reichhold also looks to the international market for growth in its insulating resins. In the immediate future, efforts will be made to expand contacts already made for sales and licensing arrangements in the United States, Europe and Japan.



Products and chemicals for the oil and gas industry



Reichhold has taken a developing role in the energy industry. Operating from nine locations in Canada and the United States, these Reichhold divisions provide essential products, services and chemicals for the oil and gas industry.

The Travis Chemicals Division is a leading formulator and distributor of chemicals used in the treatment and production of oil and the processing of natural gas in western

Canada. In addition, Travis provides modern laboratory services specializing in gas analysis, hydrocarbon fluid analysis and pollution control analysis. The laboratory also provides research and development and technical service work for the energy industry.

Chemical Manufacturing, Exchange, Inc. of Crockett, Texas manufactures and sells chemicals to the oil and gas industry in the

United States and Canada.

The Molsberry Division provides vegetation clearing services and rights-of-way control operations for railways, electric transmission lines, highways and oil and gas pipelines. The Molsberry Division has offices in Edmonton, Alberta and Peterborough, Ontario.

Canadyne Oil & Gas Corp., a Reichhold subsidiary in the United States, is engaged in assembling oil and gas prospects

Products and chemicals for the oil and gas industry

primarily in Louisiana and Oklahoma. These projects are managed through exploration offices in New Orleans and Oklahoma City. To date, the Company's main emphasis has been the assembly and sale of several tracts of land in the Lake Pontchartrain area of Louisiana. The Company retains a working interest in all prospects generated and sold.

Year in review:

In 1980, Chemical Manufacturing Exchange of Texas began operations from its new, efficient plant, selling its products to formulators of oil and gas production chemicals. This modern facility is fitted with the latest equipment to meet the growing needs of its oil and gas industry customers.

Travis Chemicals has expanded its sales significantly in the area of corrosion inhibiting chemicals for use in oil and gas production.

Over the past year, the Molsberry Division expanded its operations by providing trench digging services for the laying of cable television lines.

Growth areas for the future:

North America's need to find new and more efficient sources of energy strengthens Reichhold's



opportunities for growth in this key field. With the completion of its new plant in Texas, Chemical Manufacturing Exchange is well positioned to serve its customers more fully in this energy-intensive region.

De-control of oil and natural gas prices in the United States also bodes well for the Company. Drilling is expected to commence on at least five of the prospects assembled and sold by Canadyne Oil & Gas in 1980. The accelerated exploration program for the next year includes the generation and assembly of an increased number of oil and gas prospects in southern Louisiana and an equal number in the Anadarko basin area of Oklahoma.

Reichhold Limited

Consolidated statement of earnings

Year ended December 31, 1980 with comparative figures for 1979 (thousands of dollars except for per share items)

	1980	1979
Sales (note 3)	\$ 367,901	287,354
Cost of goods sold	<u>290,056</u>	<u>227,324</u>
Gross profit	77,845	60,030
Selling, general and administrative expenses	<u>59,662</u>	<u>43,411</u>
Operating profit	18,183	16,619
Interest expense (net) (note 5)	<u>8,165</u>	<u>5,794</u>
Earnings before income taxes	10,018	10,825
Income taxes (note 4):		
Current	2,040	3,189
Deferred	<u>1,581</u>	<u>1,258</u>
	3,621	4,447
Net earnings	<u>\$ 6,397</u>	<u>6,378</u>
Earnings per common share:		
Basic	<u>\$ 1.72</u>	<u>2.40</u>
(calculated on the weighted average number of common shares outstanding during the year, being 3,319,295 for 1980 and 2,458,689 for 1979)		
Fully diluted	<u>\$ 1.51</u>	<u>1.83</u>
The statement of earnings includes the following charges:		
Depreciation and amortization of property, plant and equipment ...	\$ 4,375	2,979
Amortization of deferred charges	65	94
Amortization of goodwill	161	191
Directors' and senior officers' remuneration	1,204	962

See accompanying notes to consolidated financial statements.

Reichhold Limited

(Incorporated under the laws of the Province of Ontario, Canada)

**Consolidated
balance sheet**

December 31, 1980 with comparative figures for 1979 (thousands of dollars)

Assets	1980	1979
Current assets:		
Cash	\$ 2,765	2,882
Receivables, net of allowance for doubtful accounts of \$2,123 (1979 – \$1,523)	66,265	49,635
Lien notes receivable (note 7)	2,778	6,867
Inventories:		
Raw materials	12,883	8,881
Finished goods	53,850	45,331
Total inventories	66,733	54,212
Income taxes receivable	890	—
Prepaid expenses and deposits	1,702	1,571
Total current assets	141,133	115,167
Property, plant and equipment:		
Buildings	16,869	12,475
Equipment and leasehold improvements	51,785	41,650
	68,654	54,125
Less accumulated depreciation and amortization	22,341	18,038
	46,313	36,087
Land	2,964	2,958
Net property, plant and equipment	49,277	39,045
Other assets, at cost less amortization:		
Goodwill	365	526
Other non current assets	1,543	1,141
	1,908	1,667
	<u>\$ 192,318</u>	<u>155,879</u>

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity	1980	1979
Current liabilities:		
Bank advances and acceptances, secured (note 8)	\$ 40,055	56,612
Accounts payable and accrued expenses	36,378	29,691
Income taxes payable	—	1,280
Current portion of long term debt (note 9)	1,124	206
Current portion of deferred income taxes	342	900
Total current liabilities	77,899	88,689
Long term debt (note 9)	31,913	10,890
Deferred income taxes	9,753	7,614
Shareholders' equity:		
Capital stock (note 6):		
Authorized:		
2,494,816 First Preference Shares with a par value of \$10 each, issuable in series		
3,000,000 Second Preference Shares with a par value of \$25 each, issuable in series		
7,527,132 Common shares without par value		
Issued:		
494,816 First Preference Shares, Series A (1979 – 579,035)	4,948	5,790
2,000,000 First Preference Shares, Series B (1979 – nil)	20,000	—
3,387,016 Common Shares (1979 – 3,239,140)	19,932	18,644
Contributed surplus	1,436	1,436
Retained earnings (note 6(i))	26,437	22,816
Total shareholders' equity	72,753	48,686
Commitments (note 10)		
	<u>\$ 192,318</u>	<u>155,879</u>

On behalf of the Board:

Director D.G. McNABB

Director G.L.HAGEN

Reichhold Limited

Consolidated statement of changes in financial position

Year ended December 31, 1980 with comparative figures for 1979 (thousands of dollars)

	1980	1979
Additions to working capital:		
Net earnings	\$ 6,397	6,378
Add charges not requiring an outlay of funds:		
Depreciation and amortization	4,601	3,264
Deferred income taxes (non current)	2,139	1,351
Additions to working capital from operations	13,137	10,993
Preference shares issued for cash (note 6(c))	20,000	—
Common shares issued for cash (note 6(e))	268	13,013
Long term debt	21,888	624
Proceeds on sale of fixed assets and other non current assets	865	136
Total additions to working capital	56,158	24,766
Deductions from working capital:		
Acquisitions (note 2)	3,411	9,382
Less working capital acquired	2,562	5,633
Net acquisitions	849	3,749
Additions to property, plant and equipment	14,332	12,506
Additions to goodwill	—	19
Additions to other non current assets	758	426
Cash dividends	2,080	1,504
Reduction of long term debt	865	3,293
Preference share issue cost net of income tax effect (note 6(c))	518	—
Total deductions from working capital	19,402	21,497
Increase in working capital	36,756	3,269
Working capital, beginning of year	26,478	23,209
Working capital, end of year	\$ 63,234	26,478

See accompanying notes to consolidated financial statements.

Reichhold Limited

Consolidated statement of retained earnings

Year ended December 31, 1980 with comparative figures for 1979 (thousands of dollars)

	1980	1979
Retained earnings, beginning of year	\$ 22,816	18,009
Net earnings for the year	6,397	6,378
	<u>29,213</u>	<u>24,387</u>
Deduct:		
Issue cost of preference shares, net of income tax effect (note 6(c))	518	—
Cash dividends	2,080	1,504
Stock dividends	178	67
	<u>2,776</u>	<u>1,571</u>
Retained earnings, end of year	<u>\$ 26,437</u>	<u>22,816</u>

See accompanying notes to consolidated financial statements.



Peat, Marwick, Mitchell & Co.

Auditors' report to the shareholders

We have examined the consolidated balance sheet of Reichhold Limited as at December 31, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of Reichhold Limited was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Chartered Accountants

P.O. Box 31,
Commerce Court Postal Station,
Toronto, Ontario M5L 1B2

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Chartered Accountants

Toronto, Canada
February 27, 1981

Reichhold Limited

Notes to consolidated financial statements

December 31, 1980

1. Summary of significant accounting policies:

The accompanying financial statements are prepared on the historical cost basis in accordance with accounting principles generally accepted in Canada and conform in all material respects to International Accounting Standards.

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All material inter-company items have been eliminated.

(b) Lien notes receivable:

In accordance with generally recognized practice, lien notes receivable arising from instalment sales, which include amounts due after one year, are included in current assets.

(c) Inventories:

Inventories are stated at the lower of cost (first-in, first-out basis) and replacement cost for raw materials and at the lower of cost and net realizable value for finished goods except for chemical manufactured goods which are generally at the lowest of cost, reproduction cost and net realizable value.

(d) Property, plant and equipment:

Property, plant and equipment are carried at cost. On retirement or disposal of such assets, the cost thereof and related accumulated depreciation are eliminated from the accounts and any resultant gain or loss is included in income.

Depreciation of buildings and equipment is based on the estimated useful lives of the assets, calculated on the straight-line and diminishing balance methods. The principal categories and rates are as follows:

Buildings	5% diminishing balance
Machinery and equipment	5 to 15 years straight-line
Automobiles	30% diminishing balance

Leasehold improvements are amortized on a straight-line basis over the respective terms of the leases.

(e) Goodwill:

Goodwill, being the excess of the cost of subsidiaries and businesses acquired over the fair values of their underlying identifiable net assets at the dates of acquisition, is being amortized to earnings on the straight-line method over its estimated life. The periods of amortization currently range from 5 to 10 years.

(f) Income taxes:

Investment tax credits are treated as a reduction of the carrying value of the related assets, except for United States subsidiaries, which recognize investment tax credits in the year they are claimed for tax purposes as a reduction in the current income tax provision.

(g) Foreign currency translation:

Assets, liabilities, revenue and expenses of foreign subsidiaries are translated into Canadian dollars at the exchange rates prevailing at the end of the year. Transactions in foreign currencies are recorded at the Canadian dollar equivalent at the time of the transactions and any resulting foreign exchange gains or losses are expensed. Net unrealized foreign currency gains or losses on translation, which are not significant, are deferred.

2. Acquisitions:

During the year the Company made the following acquisitions:

In April 1980, substantially all of the operating assets of the Sleight & Hellmuth Division of Guardsman Chemicals, Inc., Grand Rapids, Michigan, were acquired by the Company's U.S. subsidiary, Century Inks Corporation. The Sleight & Hellmuth Division manufactures inks and distributes printing inks and related graphic arts supplies.

In December 1980, substantially all of the operating assets of Perkins Adhesives, a division of Gulf Agricultural Chemicals Company, Limited, a Delaware corporation were acquired. The Perkins Adhesives Division manufactures and distributes adhesives and resins.

The consolidated statement of earnings of the Company includes the results of operations of these acquisitions from the dates the acquisitions were made. The acquisitions, which were accounted for by the purchase method, are summarized as follows:

	(thousands of dollars)
Net assets acquired, at fair values:	
Current assets	\$ 2,562
Current liabilities	—
Working capital	2,562
Property, plant and equipment	839
Other assets	10
	<u>\$ 3,411</u>
Consideration:	
Cash	\$ 1,726
8% interest bearing notes payable due:	
April 1, 1981	813
April 1, 1982	872
	<u>\$ 3,411</u>

3. Segmented information:

The Company is in the following businesses:

- (a) Resins and industrial chemicals:
Manufacture and distribution of surface coatings resins, polyester and plastic resins, products for the reinforced plastics industry, forest product resins, other resins and chemicals.
- (b) Agricultural chemical products:
Formulation and distribution of agricultural chemicals, seeds, garden supplies, fertilizers and agricultural sprayers and related equipment.
- (c) Printing inks, graphic arts equipment and supplies:
Manufacture of printing inks, marketing of printing machinery and graphic arts equipment and printing and graphic arts supplies.
- (d) Oil and gas chemicals and other:
Manufacture and distribution of chemicals for the oil and gas industry, oil and gas exploration, and vegetation control services.

Segmented information on sales, operating profits and net assets by segment and a geographic analysis is contained in Appendices 1 and 2.

4. Income taxes:

Income taxes provided in 1980 represent approximately 36% of consolidated pre-tax income, an effective rate lower than statutory rates in Canada. The reduction is attributable to different tax rates in other countries, to investment and other special allowances and to non-taxable income and losses.

5. Interest:

Interest expense (net) is comprised as follows:

	1980	1979
	(thousands of dollars)	
Interest on long term debt	\$ 3,153	1,326
Bank and other	8,456	6,910
	<u>11,609</u>	<u>8,236</u>
Deduct interest income	3,444	2,442
Interest expense (net)	<u>\$ 8,165</u>	<u>5,794</u>

6. Capital stock:

- (a) On March 10, 1980, the then outstanding 7 1/4% cumulative redeemable convertible preference shares, Series A, were redesignated as First Preference Shares, Series A.
- (b) Holders of the First Preference Shares, Series A (the "Series A shares") are entitled to receive fixed cumulative preferential cash dividends, as and when declared by the board of directors, at the rate of \$.725 per share per annum. The Series A shares are convertible at any time up to December 8, 1982 at the option of the holder into common shares at a conversion price of \$7.60 per common share and are redeemable at the option of the Company after that date at prices ranging from \$10.50 per share if redeemed on or before December 8, 1983, to \$10.00 per share if redeemed after December 8, 1987.

Notes to consolidated financial statements (continued)

Commencing in 1983, the Company shall make all reasonable efforts to purchase for cancellation in each calendar year 3% of the number of Series A shares outstanding on December 31, 1982 at prices not exceeding \$10.00 per share plus costs of purchase.

The Company has reserved 651,074 common shares for the potential conversion of the Series A shares.

- (c) On November 12, 1980 the Company issued 2,000,000 First Preference Shares, Series B (the "Series B shares") with a par value of \$10.00 each for a total of \$20,000,000 cash. Underwriting commission and expenses in connection with the issue of \$1,001,000 less related income tax effect of \$483,000 have been charged to retained earnings. Holders of Series B shares are entitled to receive fixed cumulative preferential cash dividends, as and when declared by the board of directors, at the rate of \$1.05 per share per annum. The Series B shares rank on a parity with the Series A shares and are redeemable at the option of the Company after December 31, 1985 at a price of \$10.40 per share if redeemed on or before December 31, 1986, decreasing to \$10.00 per share if redeemed after December 31, 1990. A holder of Series B shares has the privilege of requiring the Company to purchase all or any of such shares on December 31, 1985 and December 31, 1990 at a price equal to \$10.00 per share plus accrued and unpaid dividends. The Company shall make all reasonable efforts to purchase for cancellation in each calendar year at a price not exceeding \$10.00 per share plus costs of purchase a number of Series B shares, ranging from 40,000 shares per annum during the period commencing January 1, 1981 and ending December 31, 1985 to 5% per annum of the number of Series B shares outstanding at the close of business on December 31, 1990, commencing January 1, 1991 and thereafter.

- (d) On March 10, 1980 the Company increased its authorized capital by the creation of 3,000,000 special shares with a par value of \$25 each, issuable in series, designated as Second Preference Shares. The particular preferences, rights, conditions, restrictions, limitations and prohibitions of any series will be determined by the board of directors of the Company prior to its issue.

- (e) During the year, common shares were issued as follows:

	Number of common shares issued	Price	Total (thousands of dollars)
Conversion of 84,219 Series A preference shares	110,785	\$ 7.60	\$ 842
Stock dividends	13,580	13.08	178
Employee share purchase plan	17,511	13.28	232
Exercise of options	6,000	5.96	36
	<u>147,876</u>		<u>\$ 1,288</u>

- (f) The Company has reserved 31,473 common shares for the purposes of the Company's stock dividend program. Under the program a holder of common shares resident in Canada has the right to elect to receive fully paid common shares in lieu of cash dividends. Any dividend paid in common shares shall have a value, as determined by the board of directors, that is the fair equivalent, as of a date determined by the board of directors, to the cash amount of such dividend. In determining whether the stock dividend payable in common shares of the Company is the fair equivalent to the cash amount of such dividend, the board of directors may make such determination based on the weighted average price at which the common shares traded on The Toronto

Stock Exchange (or such other stock exchange as the directors may designate from time to time) during the 30 trading days immediately preceding the dividend declaration date.

- (g) The Company has reserved 132,489 common shares for the purpose of employee benefit plans, including the employee share purchase plans covering Canadian and United States employees. Under these plans, subject to certain age and length of service limitations, employees may contribute up to 10% of their gross wages, based on the member's basic wage rate. Certain designated senior officers may be allowed to contribute as much as 15% of their basic compensation. The Company contributes an amount equal to a stated percentage of the member's contributions to the plans as determined by the board of directors from time to time.

Under the employee share purchase plan covering the Canadian employees, share purchases are to be made by the Trustee for the plan on any stock exchange in Canada where the shares are listed. The Company may in lieu of such purchases, issue common shares from treasury at the market price; however it is not the Company's present intention to issue shares from treasury with respect to this plan. The plan covering the United States employees, which commenced January 1, 1980, requires common shares purchased by the Agent for the plan to be issued from treasury at the market price.

The Company has reserved a further 200,000 common shares for the purposes of a proposed senior executive share purchase plan.

Potential issuances from treasury with respect to the employee share purchase plan covering the United States employees are not determinable, and the particulars of the proposed senior executive share purchase plan have not been approved by the board of directors, and accordingly the share reservations relating to these plans have not been taken into account in the calculation of fully diluted earnings per share.

- (h) The Company has a stock option plan under which 24,000 common shares are reserved for purchase by key employees of the Company and its subsidiaries at prices to be not less than the market value as determined by trading on The Toronto Stock Exchange on the day each option is granted. At December 31, 1980, options were outstanding covering 6,000 shares at \$6.92 per share exercisable to April 25, 1982 and 12,000 shares at \$11.0625 per share exercisable to January 25, 1984.

- (i) The Series A shares, the Series B shares and the debt referred to in note 9 provide certain restrictions on the payment of dividends on common shares.

Under the most restrictive of the provisions of the Series A shares, the Series B shares and the debt instruments referred to in note 9, in excess of \$26,437,000 of consolidated retained earnings at December 31, 1980 was available for the payment of dividends to the holders of common shares. The debt instruments do not prevent the Company from paying fixed cumulative cash dividends on its preference shares.

7. Lien notes receivable:

Lien notes receivable consist of the following:

	1980	1979
	(thousands of dollars)	
Gross amounts receivable	\$ 3,822	9,399
Less unearned interest	<u>1,044</u>	<u>2,532</u>
	<u>\$ 2,778</u>	<u>6,867</u>
Amount due after one year including interest	<u>\$ 2,733</u>	<u>5,735</u>

8. Bank advances and acceptances:

Bank advances and acceptances are secured by assignments of receivables and by charges on inventories.

Notes to consolidated financial statements (continued)

9. Long term debt:

Long term debt consists of the following:

	1980	1979
	(thousands of dollars)	
Bank term loan, due January 2, 1982 with interest at prime plus 1/4% (U.S. \$5,000)	\$ 5,967	—
10 5/8% secured sinking fund bond, Series A, due April 1, 1992	3,000	3,000
Sinking fund debentures:		
8 1/2% Series A, due November 1989 (retractable November 1, 1979)	—	245
11 1/4% Series B, due February 15, 1996 (retractable February 15, 1986)	6,685	6,940
Floating rate debentures, Series C, due November 1, 1982 to May 1, 1987 (U.S. \$12,600)	15,036	—
Mortgages and secured notes payable, maturing at various dates to 1991 with interest varying from 5% to 10% (U.S. \$1,969, 1979 - \$779)	2,349	911
	<u>33,037</u>	<u>11,096</u>
Less current portion	<u>1,124</u>	<u>206</u>
	<u>\$ 31,913</u>	<u>10,890</u>

(a) 10 5/8% secured sinking fund bond, Series A, due April 1, 1992:

The bond is secured by a first fixed charge on certain real and immovable property of the Company in Thunder Bay, Ontario. In addition, the bond is secured by a floating charge on all other assets of the Company, subject to certain other rights and exceptions and the floating charge created to secure the Company's sinking fund and floating rate debentures. The Company is required to establish a sinking fund to retire principal amounts of

\$100,000 annually commencing in 1981, rising to \$400,000 annually in 1990, with the balance of \$400,000 payable in 1992.

(b) Sinking fund debentures:

The debentures are secured by a first floating charge on all the assets of the Company, except for receivables assigned and inventories charged to secure bank advances and acceptances (note 8).

The Company is required to establish a sinking fund with respect to the Series B debentures by the payment of 8.5% annually of the principal amount outstanding on February 16, 1986, commencing in 1987 and continuing through 1995. In addition, the Company is obliged, in each twelve month period ending February 15, in the years to 1986, to apply \$175,000 to the purchase in the market of Series B debentures to the extent that such debentures are available for purchase at prices (including costs of purchase) not exceeding the principal amount thereof plus accrued and unpaid interest. During 1980, Series B debentures in the principal amount of \$255,000 were purchased pursuant to this requirement.

The Company may, if certain conditions are met, including payment of premiums, redeem the Series B debentures.

The holder of any Series B debenture has the right to require the Company to prepay the principal amount on February 15, 1986.

(c) Floating rate debentures:

The floating rate debentures are secured by a first floating charge on all the assets of the Company, except for receivables assigned and inventories pledged to secure bank advances and acceptances (note 8).

The floating rate debentures rank on a parity with the Series B debentures and are repayable in 10 semi-annual instalments commencing November 1, 1982. Interest is payable at a floating rate based, at the Company's option, on the base rate or the London Interbank Offer Rate for U.S. dollars of the lender's banking affiliate. If the interest rate exceeds 13% a portion of these debentures become due and payable so that the annual interest payable on the outstanding debentures will not exceed U.S. \$2,600,000.

(d) Summary of repayment requirements:
Payments required to meet sinking fund requirements and other debt retirement provisions during the five years ending December 31, 1985 are as follows:

1981	\$ 1,124,000
1982	8,392,000
1983	2,905,000
1984	2,726,000
1985	2,716,000

10. Commitments:

Estimated minimum future rental expenses under property and equipment operating leases that have initial or remaining non-cancellable terms in excess of one year are as follows:

1981	\$ 2,608,000
1982	2,257,000
1983	1,540,000
1984	1,046,000
1985	477,000
thereafter	1,201,000

Approved expenditures for plant and equipment additions at December 31, 1980 amounted to \$1,458,000.

11. Related party transactions:

The Company is an associate of Reichhold Chemicals, Inc. ("RCI"), which is engaged directly and through subsidiaries, associated companies and licensed associates in the manufacture and sale of synthetic resins, industrial chemicals, glass fibre, inorganic colour pigments, compounded plastics, glass fibre panels and chemical derivatives of forest products, in the United States and 26 other countries. Under an agreement dated April 13, 1959, as amended, RCI granted to the Company for a period of 25 years from January 1, 1959, an exclusive licence to use its patents, formulae, processes, technical know-how and trade marks in the manufacture and sale in Canada of all chemicals and synthetic resins developed and produced by RCI during the lifetime of the agreement, on payment of a royalty. The Company's sales of these products in 1980 amounted to approximately 18% of its consolidated sales. The licence agreement is automatically renewable for successive ten-year periods unless written notice of termination is given by either party six months prior to the end of any period. Any new

products developed by the Company which are patentable are available to RCI under a similar royalty arrangement.

Transactions with RCI during the year were not material.

12. Pension plans:

The Company maintains pension plans in Canada which cover substantially all of its Canadian employees. The consulting actuaries have reported that based on an update of their December 31, 1979 valuation there was no unfunded liability on a consolidated basis as at December 31, 1980.

Certain of the United States subsidiaries maintain pension plans for their employees. The United States subsidiaries are presently consolidating these plans into one master pension plan covering substantially all of the United States employees. The consulting actuaries' proposals indicate that there will be no unfunded past service liability following consolidation of the plans.

Reichhold Limited

Geographic segmentation

December 31, 1980 with comparative information for 1979 (thousands of dollars)

Appendix 1

1980	Canada	United States	Eliminations	Consolidated
Operations:				
Sales to customers outside the enterprise	\$ 270,026	97,875	—	367,901
Transfers between geographic segments	1,557	385	(1,942)	—
Total revenue	\$ 271,583	98,260	(1,942)	367,901
Segment operating profit	\$ 21,729	3,674	(87)	25,316
General corporate expense				3,689
Interest expense				11,609
Income taxes				3,621
Net income				\$ 6,397
Identifiable assets	\$ 130,551	57,697	(87)	188,161
Corporate assets				4,157
Total assets				\$ 192,318

Transfers between geographic segments are accounted for at prices comparable to open market prices for similar products and services.

Interest income relating to specific geographic segments has been included in the respective segment operating profit.

Industry segmentation

December 31, 1980 with comparative information for 1979 (thousands of dollars)

Appendix 2

	Resins and Industrial Chemicals		Agricultural Chemicals	
	1980	1979	1980	1979
Operations:				
Sales to customers outside the enterprise	\$ 126,656	109,733	113,486	81,961
Segment operating profit	\$ 9,480	9,662	6,034	4,470
General corporate expenses				
Interest expense				
Income taxes				
Net income				
Identifiable assets	\$ 60,126	50,476	60,650	48,620
Corporate assets				
Total assets				
Capital expenditures	\$ 7,029	7,625	1,854	2,265
Depreciation and amortization	\$ 1,916	1,491	1,023	597

1979	Canada	United States	Eliminations	Consolidated
Operations:				
Sales to customers outside the enterprise	\$ 230,549	56,805	—	287,354
Transfers between geographic segments	250	68	(318)	—
Total revenue	<u>\$ 230,799</u>	<u>56,873</u>	<u>(318)</u>	<u>287,354</u>
Segment operating profit	<u>\$ 18,875</u>	<u>3,217</u>	<u>(23)</u>	<u>22,069</u>
General corporate expense				3,008
Interest expense				8,236
Income taxes				4,447
Net income				<u>\$ 6,378</u>
Identifiable assets	<u>\$ 113,341</u>	<u>40,431</u>	<u>(23)</u>	<u>153,749</u>
Corporate assets				<u>2,130</u>
Total assets				<u>\$ 155,879</u>

Printing Inks, Graphic Arts, Equipment and Supplies		Oil and Gas Chemicals and Other		Consolidated	
1980	1979	1980	1979	1980	1979
<u>94,664</u>	<u>69,965</u>	<u>33,095</u>	<u>25,695</u>	<u>367,901</u>	<u>287,354</u>
<u>8,294</u>	<u>6,714</u>	<u>1,508</u>	<u>1,223</u>	<u>25,316</u>	<u>22,069</u>
				<u>3,689</u>	<u>3,008</u>
				<u>11,609</u>	<u>8,236</u>
				<u>3,621</u>	<u>4,447</u>
				<u>\$ 6,397</u>	<u>6,378</u>
<u>52,999</u>	<u>43,507</u>	<u>14,386</u>	<u>11,146</u>	<u>188,161</u>	<u>153,749</u>
				<u>4,157</u>	<u>2,130</u>
				<u>\$ 192,318</u>	<u>155,879</u>
<u>2,153</u>	<u>1,176</u>	<u>2,062</u>	<u>1,310</u>	<u>14,332*</u>	<u>12,506*</u>
<u>795</u>	<u>584</u>	<u>563</u>	<u>357</u>	<u>4,601**</u>	<u>3,264**</u>

* Includes corporate capital expenditures of \$1,234 (1979 – \$130)

** Includes corporate depreciation and amortization of \$304 (1979 – \$235)

Reichhold Limited

10 year financial review

(thousands of dollars except for per share items)

	1980	1979	1978
Sales	\$ 367,901	\$ 287,354	\$ 212,322
Earnings before income taxes	10,018	10,825	9,038
Net earnings	6,397	6,378	5,101
Expenditures on fixed assets	14,332	12,506	7,583
Investment in acquisitions	3,411	9,382	—
Provision for depreciation and amortization	4,601	3,264	2,439
Fixed assets at net book value	49,277	39,045	25,669
Basic earnings per common share ¹	\$ 1.72	\$ 2.40	\$ 2.53
Fully diluted earnings per common share ²	\$ 1.51	\$ 1.83	\$ 1.60
Fully diluted cash flow per common share ² AND ³	\$ 3.25	\$ 3.15	\$ 3.11
Dividends paid per common share ¹	\$.48	\$.46	\$.38
Book value per common share ¹ AND ⁴	\$ 13.80	\$ 13.15	\$ 11.81

¹ Calculation of basic earnings per common share is based on the weighted monthly average number of shares outstanding during the respective periods. Book value per common share is based on the number of shares outstanding at the end of the respective periods. The number of common shares and per share calculations have been adjusted where applicable to reflect the stock split in August 1977 (3 for 1) and the stock split in December 1968 (3 for 1).

² Calculation of full dilution is after giving effect to the factors described in the notes to the consolidated financial statements.

³ Cash flow is represented by additions to working capital from operations.

⁴ After deduction for redemption value of preference shares.

1977	1976	1975	1974	1973	1972	1971
\$ 138,176	\$ 100,337	\$ 82,733	\$ 76,860	\$ 36,972	\$ 27,252	\$ 24,203
3,967	4,716	4,623	8,210	2,930	1,826	1,046
2,222	2,381	2,375	4,218	1,632	981	512
3,654	4,210	4,671	2,795	2,316	1,074	677
6,435	4,738	—	—	8,056	—	—
2,063	1,660	1,214	1,148	762	635	579
20,479	18,109	12,970	9,346	7,469	5,014	4,524
\$ 1.39	\$ 1.49	\$ 1.49	\$ 2.65	\$ 1.13	\$.68	\$.35
\$ 1.12	\$ 1.29	\$ 1.29	\$ 2.26	\$.97	\$.59	\$.32
\$ 2.66	\$ 2.58	\$ 2.39	\$ 3.13	\$ 1.49	\$ 1.00	\$.68
\$.34	\$.33	\$.32	\$.24	\$.14	\$.10	\$.08
\$ 10.27	\$ 9.81	\$ 8.65	\$ 7.48	\$ 5.07	\$ 3.98	\$ 3.40

Valuation Day

For Canadian capital gains tax purposes, the Valuation Day value of Reichhold Limited securities on December 22, 1971 as established by the Department of National Revenue were the following:

Debentures:

8-1/2% Series A.

due November 1, 1989 \$100.00

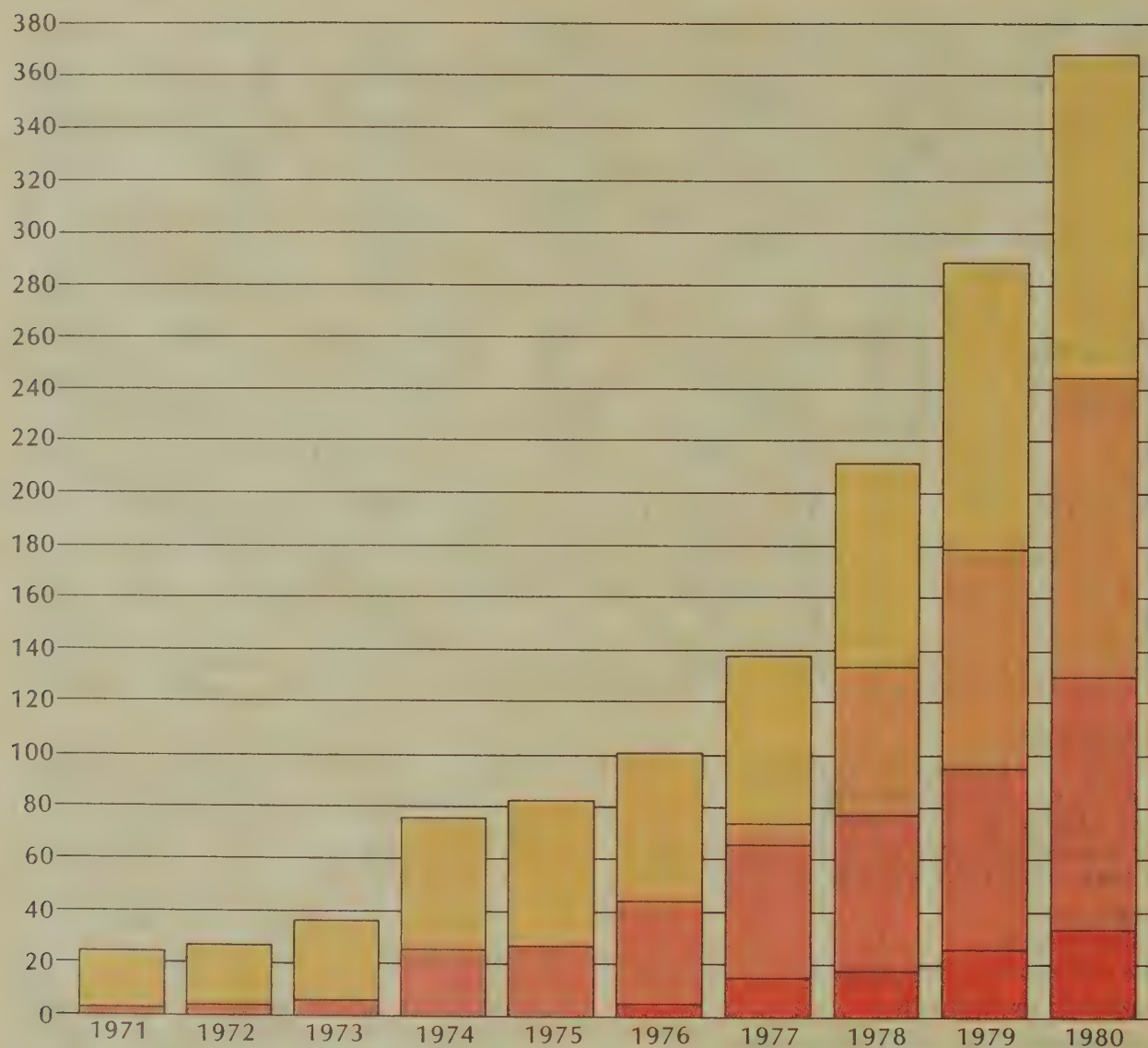
*Common shares: \$3.00

*The Valuation Day value of a common share has been adjusted to reflect the stock split in August 1977, whereby two additional shares were issued for each share held prior to the split.

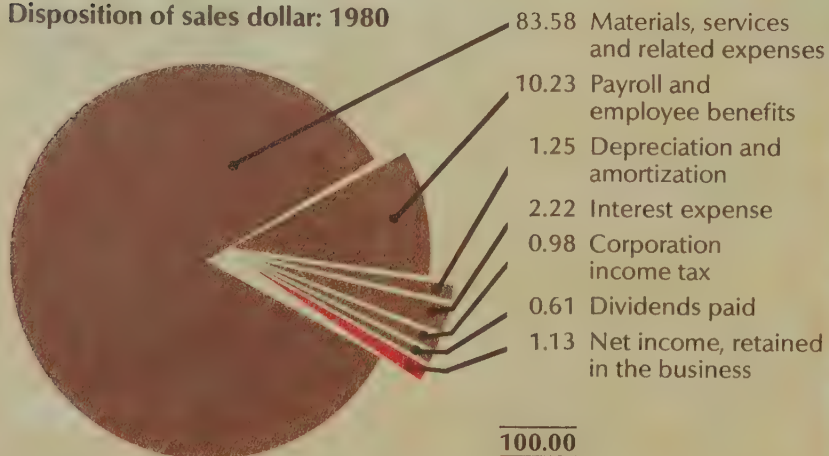
Reichhold Limited

10 years of sales growth

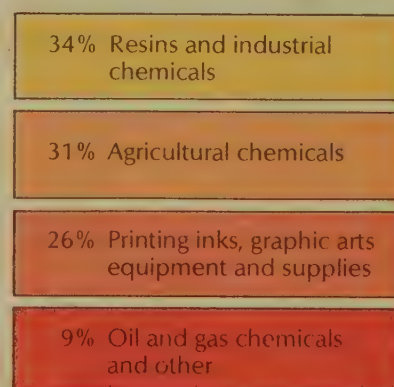
Millions of Dollars



Disposition of sales dollar: 1980



Dollar sales product mix: 1980



Products for farm, lawn and garden care

Reichhold is a major supplier of chemicals and related products for farm and lawn and garden care, operating from 32 locations in Canada and the United States.

Reichhold's Niagara Division distributes a broad line of agricultural chemicals to various regional agricultural markets across Canada. In the United States, Woolfolk Chemical Works, Inc. manufactures and distributes a wide variety of insecticides, fungicides, herbicides and growth regulators, primarily in the southeastern region. Woolfolk has also developed a special line of lawn and garden chemicals which it sells to distributors on the east coast and in the southeastern and south-central parts of the United States under the "Security"® label.

Through its subsidiary, Sunniland Corporation, Reichhold further broadened its position in the agricultural and garden product markets in the United States. Centred in Florida, Sunniland is a blender of fertilizers and sells fertilizers for farm, park, golf course and home use. Sunniland also distributes roofing and associated materials in Florida through its wholesale building materials department.



Florida Seed and Feed Company, Inc. gives added strength to Reichhold's presence in the Florida lawn and garden market. In addition to being a major regional distributor of seed and lawn and garden supplies, Florida Seed and Feed also processes its own brand of seeds which it sells under the "Big Favorite"® label. It also carries a variety of the leading brands of pesticides, herbicides and garden tools for the lawn and garden market.

Products for farm, lawn and garden care



Year in review:

Reichhold's agricultural group is one of the Company's fastest growing segments. This trend continued in 1980, despite difficulties encountered with severe droughts on the Canadian prairies and in the southeastern United States. Companies in the agricultural products area tend to be inventory intensive and therefore vulnerable to major changes in climate and increases in interest rates.

Steps have been taken to strengthen inventory control procedures in this and other divisions.

1980 saw increased emphasis on the small package segment of the lawn and garden market. This market offers good financial return, provides higher inventory turnover and is less vulnerable to fluctuations in weather.

Technological advances are also an important part of the Reichhold strategy. Through its Niagara

Division, an aggressive move has been made to capitalize on the growing field of micronutrients.

Woolfolk added substantially to its small package capacity with the building, in late 1980, of a large manufacturing and warehouse facility at its site in Fort Valley, Georgia.

Sunniland's Building Materials division expanded in 1980 with the opening of a new warehouse in Cocoa, Florida. In addition, its

bulk fertilizer plant in Fort Myers, Florida was closed and converted to a building materials distribution centre.

Integration of pesticide packaging operations between Sunniland and Woolfolk has commenced and is expected to lead to increased efficiency.

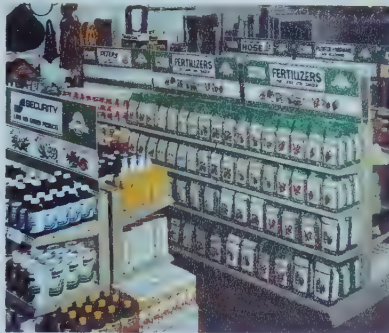
Growth areas for the future:

Reichhold believes that its agricultural division in Canada and the United States has identified a number of key growth areas in agricultural chemicals and related products. Woolfolk, Sunniland and Florida Seed and Feed have achieved prominent positions within the high-growth "sun belt" of the southeastern United States.

It is expected that the trend toward growth in population and living standards will continue in the Southeast. This factor has prompted Reichhold to focus its marketing drive more on the residential and domestic customer, especially in the smaller packaged goods field of lawn and garden care.

Woolfolk's Security® lawn and garden products will be sold to distributors in a wider area of the United States in 1981.

Sunniland will place a greater emphasis on lawn and garden products and



supplies for golf course and park maintenance. It also plans to open another building materials warehouse in central Florida.

Florida Seed and Feed, now a very strong distributor of seed and lawn and garden products in northern and central Florida will seek a greater share of the market in southern Florida.

Equipment and supplies for the graphic arts industry



The Sears Division of Reichhold is Canada's leading distributor of graphic arts equipment. With three marketing divisions, operating from 15 major centres across Canada, Sears maintains an enviable reputation for supplying and servicing the finest and most technically-advanced equipment in the industry. The Sears Commercial Division provides expert sales and service for such world-famous equipment

as Heidelberg printing presses, Polar paper cutters, Mueller-Martini book binding equipment, MBO folders and Itek pre-press equipment.

In Toronto, Sears operates its "Graphic Supermarket" which offers retail-store convenience to small printers and in-house printing operations by providing a full range of paper, inks and printing supplies at cash and carry prices.

To meet the growing

needs of companies with in-house printing facilities, Sears created its In-Plant Division. The In-Plant Division markets Itek photocomposition machines and a wide variety of platemakers, camera processors and related equipment with the same expertise and eye to quality for which Sears is known.

Sears Systems Division has brought high technology to the graphic arts industry. It provides

computer hardware and software for typesetting, estimating, accounting and a broad range of management information systems.

Year in review:

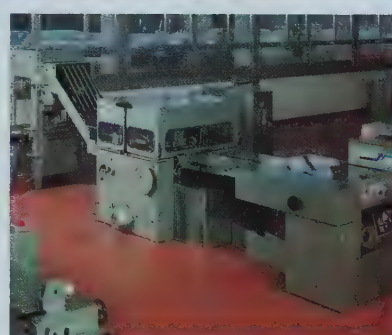
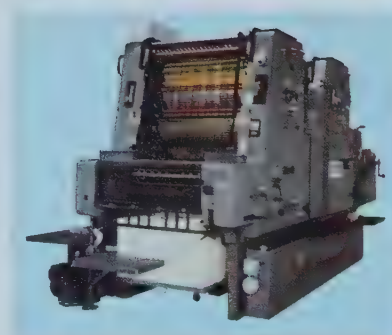
1980 was marked by the important acquisition of distribution rights for the highly regarded Autologic digital CRT (Cathode Ray Tube) phototypesetters, the APS-5 and the APS-MICRO 5. Acceptance of the Autologic System is demonstrated by the fact that major Canadian users already include the Ottawa Citizen, the Toronto Star, the Calgary Albertan, the Edmonton Sun, the Montreal Gazette and the Windsor Star.

In 1980, Sears also laid the groundwork for the acquisition of the Canadian distribution rights to Penta Systems. These rights were acquired in January 1981.

Penta Systems International, of Baltimore, Maryland, is a leader in the manufacture and development of front-end typesetter drive systems for commercial printers and typographers.

Growth areas for the future:

The Sears Division of Reichhold has focused on meeting key needs that will further enhance its position as Canada's leading supplier of equipment to the graphic



arts industry.

Acquisition of Canadian distribution rights for Autologic and Penta Systems opens up a whole new vista in technological advances for Sears customers. As in other areas of business, computers are the wave of the future. Sears Systems Division is committed to being in the forefront of the important developments in this field.

Though Sears is entering into the sophisticated world of computers, serving the basic needs of the graphic arts customer

is still a vital part of the Sears mission. Sears Graphic Supermarket provides a full-range of services and supplies for the in-house and small printer market. In the near future, Sears looks forward to expanding its Graphic Supermarket concept to other centres across Canada.

Accurately and efficiently anticipating the needs of its customers will continue to be the Sears Division's key to success in the future.

Ink and supplies for the printing industry



The Canada Printing Ink Division of Reichhold is one of Canada's leading suppliers of inks and related products for the printing and graphic arts industry. Operating from 13 centres across the country, Canada Printing Ink is also among the major suppliers of letterpress and offset web ink for the newspaper business.

Canada Printing Ink has pioneered developments that offer technical and

time-saving value to customers. The Canada Printing Ink Mix and Match® System and the Comput-A-Color formulation system allow printers to match any colour or shade from any major ink system and then mix the exact formula to produce that colour. Through Telesave®, customers enjoy one-call telephone purchasing of brand-name products, with weekly ordering and prompt delivery that can cut problems of over-stock

or out-of-stock situations.

Year in review:

1980 was a year of several exciting developments at Canada Printing Ink. The Company, through its U.S. subsidiary, Century Inks Corporation, purchased substantially all of the operating assets of the Sleight & Hellmuth Division of Guardsman Chemicals, Inc. Sleight & Hellmuth has twelve locations throughout the eastern

United States.

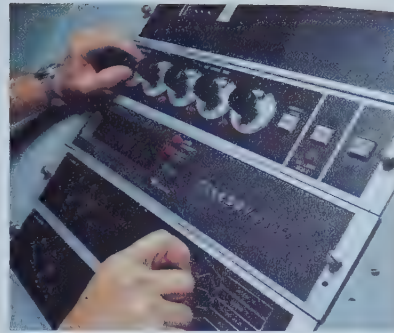
This gives considerable strength in technical skills and product sales to Century Inks Corporation.

Canada Printing Ink has been an exporter of news ink to the United States for a number of years.

Canada Printing Ink's operations were significantly expanded in the past year with the start-up of its plant in Burlington, Ontario. This ultra-modern facility employs the very latest in technological know-how. With world-scale capacity to produce more than 50 million pounds of news ink annually, Canada Printing Ink is well positioned to serve as the country's most advanced and efficient manufacturer of bulk news inks.

The Burlington plant also serves as Canada Printing Ink's production centre for wipe-on printing plates. This is one of the most unique and modern facilities of its kind for the production of anodized offset plates, one of Canada Printing Ink's major exports to the United States.

Continuing its long history of providing technological breakthroughs for the printing industry, Canada Printing Ink unveiled its "Misless"® news ink in 1980. With this new formula, ink misting

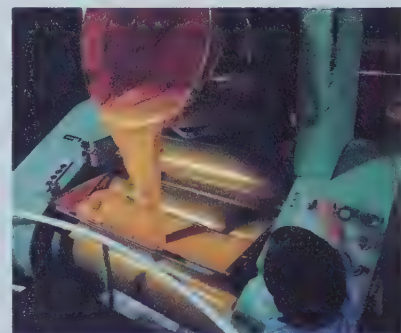


problems in the pressroom have been virtually eliminated, thus allowing for a cleaner working environment and a powerful marketing advantage.

Growth areas for the future:

Export opportunities continue to offer Canada Printing Ink significant potential for growth. The efficiencies of its world-scale plant in Burlington, Ontario, technological advances such as its "Misless"® news ink and the benefit of established locations in the United States all provide strategic advantages for the future. In addition, the packaging ink market will be an area for further development.

The past can also provide some clues to growth in the future. 1980 marked the 100th year of business



for Canada Printing Ink. For most companies, this would be an important milestone in itself. But for Canada Printing Ink all the skill, the know-how, the technology and market experience gained over the past 100 years have really only one purpose: to help it serve the needs of its customers better as it moves into its second century of operations.

Plants and offices across Canada and U.S.A.

HEAD OFFICE

600 The East Mall
Islington, Ontario M9B 4B1

- **Resin Division**
Islington, Ontario (Head Office)
Weston, Ontario
Ste. Thérèse de Blainville, Québec
Lindsay, Ontario
North Bay, Ontario
Thunder Bay, Ontario
Kamloops, British Columbia
Port Moody, British Columbia
Squamish, British Columbia
- **Travis Chemicals Division**
Edmonton, Alberta
Calgary, Alberta
Fort St. John, British Columbia
- **Molsberry Division**
Edmonton, Alberta
Peterborough, Ontario
- **Intertech Division**
Dartmouth, Nova Scotia
Boucherville, Québec
Toronto, Ontario
Winnipeg, Manitoba
Calgary, Alberta
Edmonton, Alberta
Richmond, British Columbia
- **Niagara Chemical Division**
Burlington, Ontario, (Head Office)
Florenceville, New Brunswick
Longueuil, Québec
Regina, Saskatchewan
Saskatoon, Saskatchewan
Kelowna, British Columbia

GRAPHIC ARTS GROUP

- **Canada Printing Ink Division**
Islington, Ontario (Head Office)
Dartmouth, Nova Scotia
Moncton, New Brunswick
Québec City, Québec
Montréal, Québec
Ottawa, Ontario
Toronto, Ontario
Weston, Ontario
Burlington, Ontario
London, Ontario
Winnipeg, Manitoba
Calgary, Alberta
Edmonton, Alberta
Vancouver, British Columbia
- **Sears Division**
Rexdale, Ontario (Head Office)
Moncton, New Brunswick
Nuns' Island, Verdun, Québec
Québec City, Québec
Ottawa, Ontario
Weston, Ontario
Hamilton, Ontario
Kitchener, Ontario
London, Ontario
Winnipeg, Manitoba
Regina, Saskatchewan
Saskatoon, Saskatchewan
Edmonton, Alberta
Calgary, Alberta
Vancouver, British Columbia

PRINCIPAL OPERATING SUBSIDIARIES

- **Woolfolk Chemical Works, Inc.**
Fort Valley, Georgia (Head Office)
Hartselle, Alabama
Headland, Alabama
Atmore, Alabama
Arlington, Georgia
Atlanta, Georgia
Brooklet, Georgia
Dublin, Georgia
Lenox, Georgia
Waynesboro, Georgia
Warsaw, North Carolina
Wendell, North Carolina
Chadbourn, North Carolina
Dalzell, South Carolina
Inman, South Carolina
Lake City, South Carolina
Orangeburg, South Carolina
- **Chemical Manufacturing Exchange, Inc.**
Crockett, Texas
- **Florida Seed and Feed Company, Inc.**
Ocala, Florida
- **Sunniland Corporation**
Sanford, Florida
Fort Myers, Florida
Orlando, Florida
Winter Haven, Florida
Cocoa, Florida
- **Canadyne Machinery Corporation**
Burlington, Ontario (Head Office)
- **Canadyne Oil & Gas Corp.**
Metairie (New Orleans), Louisiana
- **Century Inks Corp.**
Minneapolis, Minnesota
Cheektowaga, New York
- **Sleight & Hellmuth Division**
Park Ridge, Illinois (Head Office)
Atlanta, Georgia
Beltsville, Maryland
Fenton, Missouri
Kansas City, Missouri
Pennsauken, New Jersey
New York, New York
Charlotte, North Carolina
Cleveland, Ohio
Memphis, Tennessee
Dallas, Texas
Milwaukee, Wisconsin





Saskatoon

Regina

Winnipeg

Thunder Bay

Minneapolis

Milwaukee

Park Ridge

Kansas City

Fenton

Memphis

Hartselle

Atlanta

Dallas

Crockett

Metairie
(New Orleans)

Atmore

Headland

Ocala

Sanford

Orlando

Cocoa

Winter
Haven

Fort
Myers

Fort Valley

Arlington

Lenox

Dublin

Brooklet

Waynesboro

Orangeburg

Lake City

Chadbourne

Dalzell

Inman

Charlotte

Warsaw

Wendell

Cleveland

Pennsauken

Beltsville

Hamilton

Burlington

Cheektowaga

Islington

Toronto

Peterborough

Lindsay

Weston

Rexdale

Kitchener

North Bay

Ste. Thérèse de Blainville

Ottawa

Verdun

Longueuil

Montréal

Boucherville

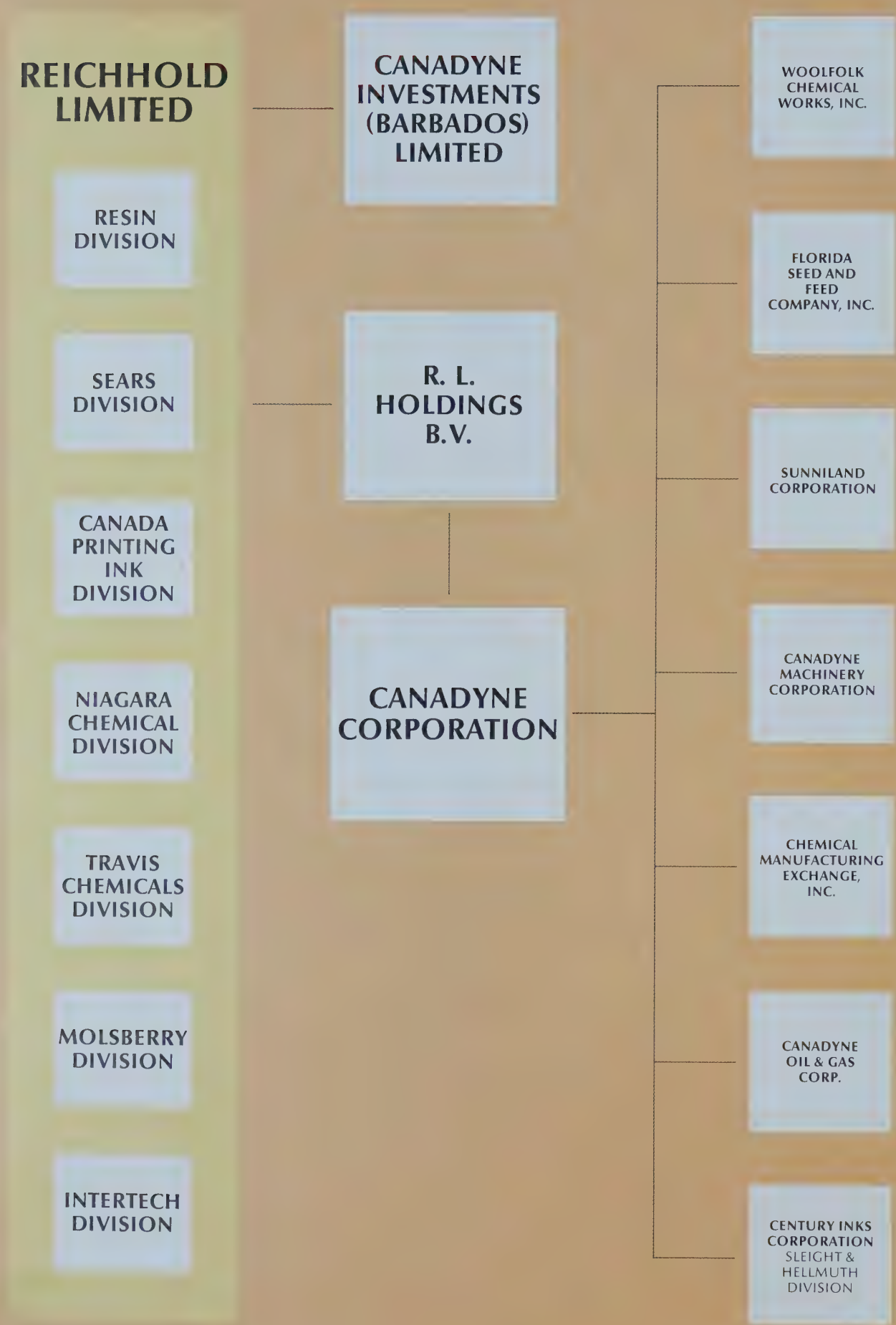
Québec City

Florenceville

Moncton

Dartmouth

REICHHOLD



REICHOLD

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and Manager,
Resin Division-Eastern

Charles B. Breedlove

Executive Vice-President,
Reichhold Chemicals, Inc.

Alexander B. Davie

Vice-President
and Manager,
Resin Division-Western

Jules Demicher

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and Treasurer

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Reichhold Chemicals, Inc.

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Resin Group

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Reichhold Limited

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Vice-President
and Secretary,
Talcorp Associates Limited

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President and
General Manager,
Canada Printing Ink
Division

Robert T. O'Shaughnessy

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Administration,
Reichhold Limited

William H. Sears

President and
General Manager,
Sears Division

Brian W. Shields, Q.C.

Partner, Law Firm of Tory,
Tory, DesLauriers
and Binnington

Robert Smith

President and Chairman,
Talcorp Associates Limited

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President and Chief
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R.F. Smith

Vice-President and
General Manager Travis
Chemicals Division

H.H. Reichhold

Honorary Chairman
of the Board

**Registrar and Transfer
Agent Common and
Preference Shares**

National Trust Company,
Limited, Toronto,
Montreal, Vancouver,
Calgary, Winnipeg

Auditors

Peat, Marwick,
Mitchell & Co.
Commerce Court West,
Toronto

Our 1980 Annual Report
was typeset on a
QUADRITEK 1200 and
printed on a HEIDELBERG
28 x 40" 5-colour offset
press using CANADA
PRINTING INK process
inks throughout.

Signature folding was done
on a new generation MBO
Model T74, and saddle-
stitched on a MUELLER-
MARTINI Gatherer-
Stitcher-Trimmer.

REICHHOLD

Reichhold Limited
600 The East Mall
Islington, Ontario
M9B 4B1